MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff
DATE	April 17, 2019
SUBJECT	Adams State University Revenue Bond Intercept

REQUEST AND RECOMMENDATION: On April 9, 2019, the Capital Development Committee (CDC) considered and approved a request from Adams State University to refinance $34,070,000 in bonds previously approved under the Higher Education Revenue Bond Intercept Program (Section 23-5-139, C.R.S.). The request requires approval of the CDC and JBC because it extends the existing debt payment schedule by one year. In addition, the refinance structure is likely, but not guaranteed, to provide net savings over the remaining period of bond payments. Statutory provisions require approval from both the CDC and JBC. **JBC staff recommends that the JBC approve the request. This recommendation is based on the assumption that ASU will comply with the recommendation of the Treasurer's Office, agreed to by ASU, that for this issuance, over the life of the bonds, the total debt service will not be increased.**

BACKGROUND ON THE INTERCEPT PROGRAM: The Higher Education Revenue Bond Intercept Program, first authorized in 2008 and last modified in 2016, enables the governing boards of higher education institutions to issue debt under the state's credit rating rather than their own. This reduces the cost of debt for governing boards but also makes the State responsible for making timely payments on the debt if the governing board is not able to do so. If this occurs, the State is authorized to recoup its expenditures from the affected governing board.

Pursuant to Section 23-5-139, C.R.S., to qualify for the Revenue Bond Intercept Program, an institution must have:

1. A credit rating in one of the three highest categories from a nationally recognized statistical rating organization (i.e., a rating in the A or higher category)
2. A debt service coverage ratio of at least 1.5x (net revenue available for debt service/annual debt service) applied to all debt.
3. Pledged revenues for the issue of not less than: the net revenues of auxiliaries; 10% of tuition if an enterprise; indirect cost recovery revenues; facility construction fees designated for bond repayment; and student fees and revenues pledged to bondholders.
4. Debt service payments for intercept bonds that do not exceed 75 percent of the governing board's most recent fiscal year state General Fund appropriation (amounts reappropriated to the Board).
5. Pre-approval from the State Treasurer and approval from the CDC and JBC.

Senate Bill 16-206 (a JBC bill) modified Section 23-5-139, C.R.S., to tighten the program and ensure that the legislature and the Treasurer's Office have better oversight and information on use of the intercept program, given that the State serves as the financial backstop for this debt. An annual report from the Treasurer's Office, received September 1 each year, provides each governing board's debt profile and outlines whether, at the time of the report, the governing board is qualified to participate in the program. Total outstanding obligations for state institutions under the intercept program, including future year principal and interest payments, total approximately $2.6 billion. (Total institutional liabilities approach $6.1 billion once all debt is included.) All of the governing boards participate in the intercept program, except the University of Colorado, which has a credit rating higher than the State's. Western State Colorado University holds debt under the program but may not expand this debt due to a low credit rating (Baa).

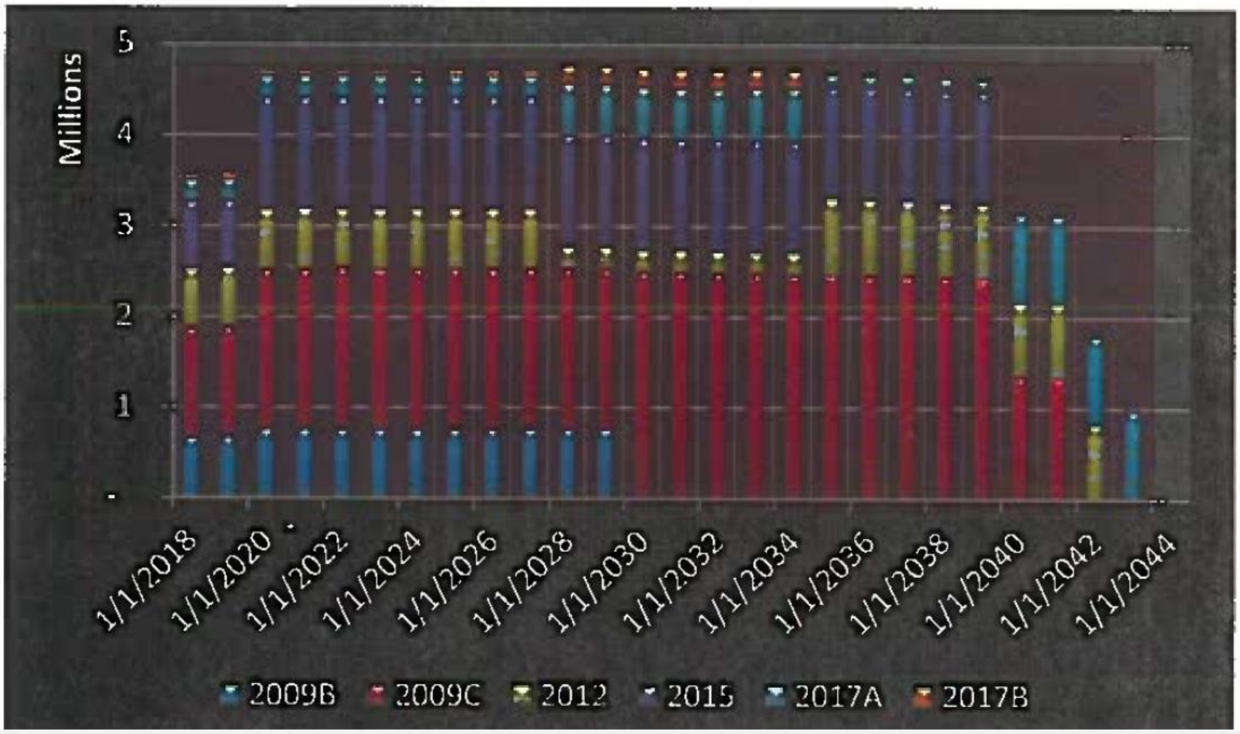
ADAMS STATE UNIVERSITY REQUEST: The CDC supports ASU's request to refinance existing intercept debt on a repayment schedule that would extend repayments for one year and provide savings in the near term but allow higher out-year payments. Whether or not there would be net cash flow savings over the period of the loan is uncertain.

- The amounts being refinanced were all previously approved as part of the Higher Education Revenue Bond Intercept program. These bonds supported construction of eight projects ranging from remodeling the music building to student housing improvement to construction of a synthetic soccer field.

- The additional information below is from information submitted to the State Treasurer that shows the proposed payment schedule for the out years for the additional debt obligations. As shown, the refinance proposal reduces near-term costs for ASU but increases out-year payments, as well as extending the payment schedule by one year. This schedule reflects net dissavings (expenses) of $190,573. However, an independent review by the Treasurer's Office resulted in net savings over the debt period. The actual savings/dissavings will depend upon on the final terms of the loan. The estimates below are based on an interest rate of 3.58 percent. On **March 29, 2019, Adams State University signed a statement, submitted to the Treasurer's Office, specifying that for this issuance, over the life of the bonds, the total debt service will not be increased. In light of this, staff assumes that ASU will comply with this condition.**

	Estimated Refunding Cash Flow Savings/Dissavings
2019	1,071,938
2020	1,032,411
2021	1,032,961
2022	834,066
2023	642,925
2024	463,314
2025	291,357
2026	130,620
2027	82,453
2028	(33,360)
2029	(38,319)
2030	(67,674)
2031	(68,986)
2032	(74,606)
2033	(79,284)
2034	(82,986)
2035	(80,712)
2036	(85,544)
2037	(85,816)
2038	(91,760)
2039	(93,176)
2040	(1,182,500)
2041	(1,187,895)
2042	(2,520,000)

ADDITIONAL BACKGROUND ON ASU DEBT AND FINANCIAL PROFILE: The chart below, from the Treasurer's September 1, 2018 report on the program shows ASU's debt service obligations.



As shown, ASU's annual debt service payments are projected to be $4.7 million per year by 2020. For context:

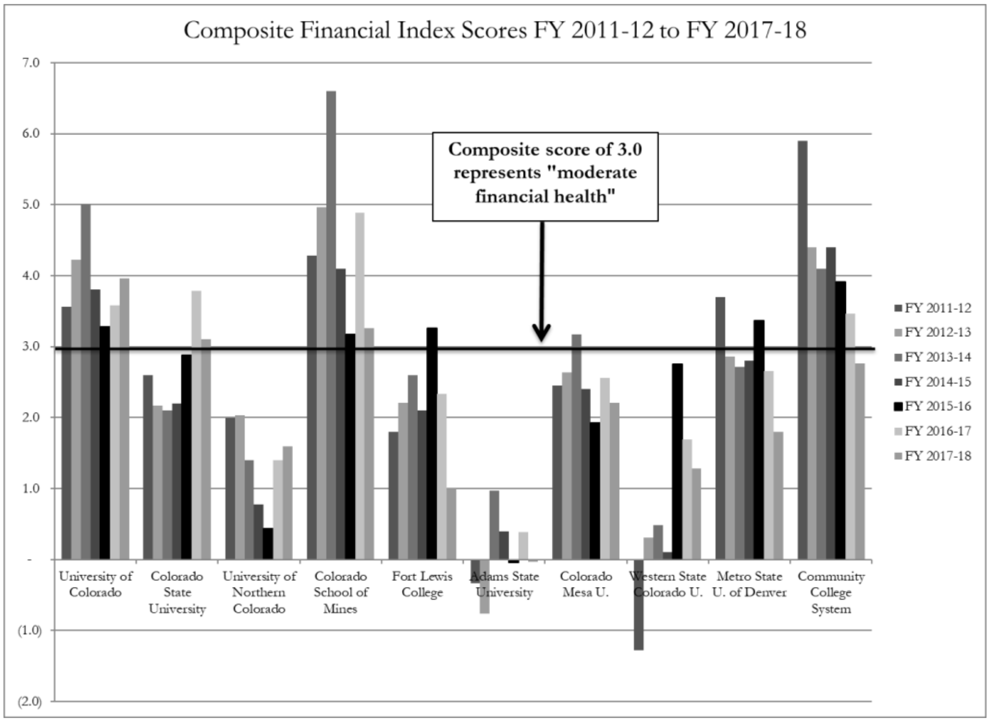
- ASU's annual *debt service in 2020 represents 9.4 percent of the governing board's 2018 revenue* of $50.1 million.
- ASU served 2,405 student FTE in 2017-18. The system's total liabilities divided by total student FTE enrolled--its *debt per student FTE--was $29,109 in FY 2017-18.*

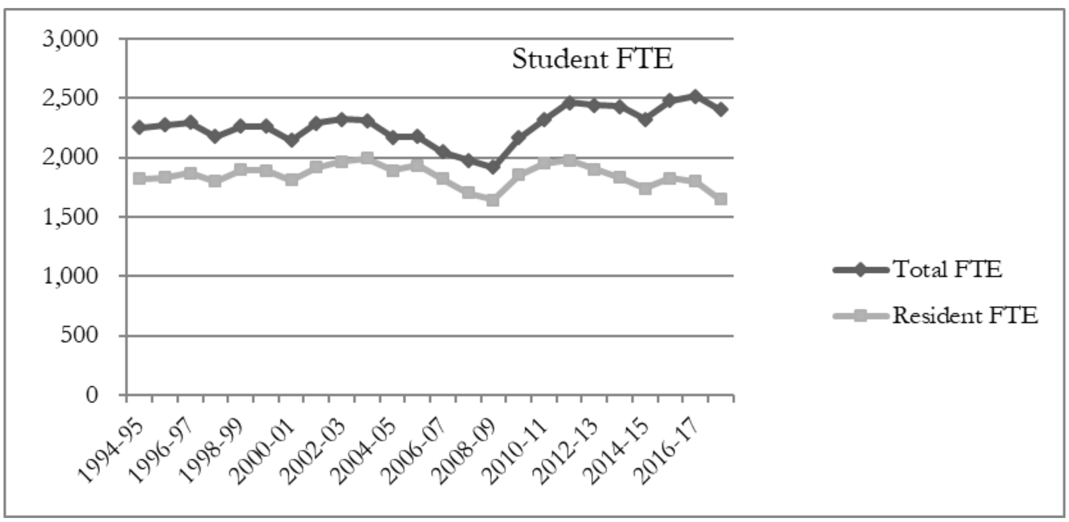
In an updated credit opinion dated April 5, 2019, Moody's maintained ASU's underlying **credit rating of A3 with a negative outlook**. (Moody's scale from highest to lowest: Aa1, Aa2, Aa3, A1, A2, A3, Baa1, etc.). The credit opinion notes that "operating performance has remained resilient despite enrollment challenges due to management's sharp focus on expense reductions". The report notes negatives including enrollment declines but relatively high liquidity and a "fair" strategic position.

STAFF RECOMMENDATION: **Staff recommends the request.**

- **Since the request refinances existing intercept debt, the request presents only limited additional financial exposure to the State**. At the same time, it assists ASU in addressing near-term financial challenges at a favorable interest rate.

- **As highlighted by staff in budget briefings, ASU remains in a tenuous financial positio**n. Debt payments, associated student fees, and the low incomes of the students it serves limit its ability to increase tuition. Furthermore, undergraduate enrollment (the institution's "bread and butter") has been on the decline for some time. The university's credit rating (A3 with negative outlook) is the lowest possible for still qualifying for debt expansion under the intercept program.





- As noted by Moody's, ASU's financial position may be stabilizing. It has emerged from probationary status with its accreditor, it has taken necessary tough action to reduce costs, and it appears to be on a stronger path under new management. The near-term savings provided by this refinance may help to further strengthen its position.

- **The Treasurer's Office supports the proposal.** At ASU's request, the Treasurer's Office evaluated the refinance proposal. Based on an expectation that this proposal will result in net cash flow savings to the institution over the life of the bond (even though the repayment schedule is extended by one year), the Treasurer's Office is supportive of the proposal.

- If the JBC and CDC do not agree to this request, staff understands that ASU will refund $30.0 million of the total debt under the intercept program and will then refund $4.0 million outside of the intercept program. This would result in a higher interest rate for this portion of the debt but would allow ASU to structure the debt to provide near term savings and out-year dissavings.

Staff has attached a draft letter to the Treasurer's Office and the Colorado Commission on Higher Education for the Committee's consideration.

STATE OF COLORADO

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DRAFT

April 18, 2019

Mr. David Young
Colorado State Treasurer

Ms. Lauren Larson
Director
Office of State Planning and Budgeting

Dr. Angie Paccione
Executive Director
Colorado Department of Higher Education

Dr. Cheryl Lovell
President
Adams State University

Dear Treasurer Young, Director Larson, Director Paccione, and President Lovell:

Pursuant to the provisions of Sections 23-5-139 (1.5)(c), C.R.S., on April 17, 2019, the Joint Budget Committee reviewed a request from Adams State University to refund (refinance) $34,070,000 in debt previously authorized under the Higher Education Revenue Bond Intercept Program. Adams State University seeks to restructure this debt to extend payments by an additional year and adjust amounts due between 2019 and 2024.

The Joint Budget Committee voted to approve this request. The refunding debt is not expected to increase the institution's overall debt authorized under the higher education revenue bond intercept program, and the Committee's approval is based on the assumption that ASU will comply with the recommendation of the Treasurer's Office, agreed to by ASU, that for this issuance, over the life of the bonds, the total debt service will not be increased. The Capital Development Committee approved the request April 9, 2019.

Adams State University may therefore proceed with issuing this debt under the Higher Education Revenue Bond Intercept Program, so long as the final bond issue complies with Section 23-5-139 (1)(b)(I),(II), and (III), C.R.S., and any other relevant provisions of law.

Please contact Amanda Bickel on our staff ((303) 866-4960) should you have any questions about this matter.

Sincerely,

Dominick Moreno
Chair

cc: Representative Dylan Roberts, Capital Development Committee
Kori Donaldson, Capital Development Committee Staff
Eric Rothaus, Deputy Treasurer
Luis Colon, Chair, Colorado Commission on Higher Education
Jason Schrock, Department of Higher Education
Heather Heersink, Adams State University
Rebecca Massey, Office of State Planning and Budgeting
Bob Jaros, State Controller
John Ziegler, Staff Director, Joint Budget Committee

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff
DATE	April 17, 2019
SUBJECT	Colorado Mesa University Revenue Bond Intercept Request

REQUEST AND RECOMMENDATION: On February 28, 2019, the Capital Development Committee (CDC) considered and approved a request from Colorado Mesa University to expand its debt under the Higher Education Revenue Bond Intercept Program (Section 23-5-139, C.R.S.) by $18.0 million to finance three projects.[1] Statutory provisions require approval from both the CDC and JBC. **JBC staff recommends that the JBC approve the request, but is concerned about CMU's debt load.**

BACKGROUND ON THE INTERCEPT PROGRAM: The Higher Education Revenue Bond Intercept Program, first authorized in 2008 and last modified in 2016, enables the governing boards of higher education institutions to issue debt under the state's credit rating rather than their own. This reduces the cost of debt for governing boards but also makes the State responsible for making timely payments on the debt if the governing board is not able to do so. If this occurs, the State is authorized to recoup its expenditures from the affected governing board.

Pursuant to Section 23-5-139, C.R.S., to qualify for the Revenue Bond Intercept Program, an institution must have:

1 A credit rating in one of the three highest categories from a nationally recognized statistical rating organization (i.e., a rating in the A or higher category)
2 A debt service coverage ratio of at least 1.5x (net revenue available for debt service/annual debt service) applied to all debt.
3 Pledged revenues for the issue of not less than: the net revenues of auxiliaries; 10% of tuition if an enterprise; indirect cost recovery revenues; facility construction fees designated for bond repayment; and student fees and revenues pledged to bondholders.
4 Debt service payments for intercept bonds that do not exceed 75 percent of the governing board's most recent fiscal year state General Fund appropriation (amounts reappropriated to the Board).
5 Pre-approval from the State Treasurer and approval from the CDC and JBC.

Senate Bill 16-206 (a JBC bill) modified Section 23-5-139, C.R.S., to tighten the program and ensure that the legislature and the Treasurer's Office have better oversight and information on use of the intercept program, given that the State serves as the financial backstop for this debt. An annual report from the Treasurer's Office, received September 1 each year, provides each governing board's debt profile and outlines whether, at the time of the report, the governing board is qualified to participate in the program. Total outstanding obligations for state institutions under the intercept program, including future year principal and interest payments, total approximately $2.6 billion. (Total institutional liabilities approach $6.1 billion once all debt is included. All of the governing boards participate in the intercept program, except the University of Colorado, which has had a credit rating higher than or equal to the State's. Western State Colorado University holds debt under the program but may not expand this debt due to a low credit rating (Baa).

COLORADO MESA UNIVERSITY REQUEST: The CDC supports CMU's expanded use of the intercept program for the following project.

Table 1
Approved Intercept Project

Project Name	Amount of Issuance
Student Housing Wingate West	$18,000,000
Total:	**$18,000,000**

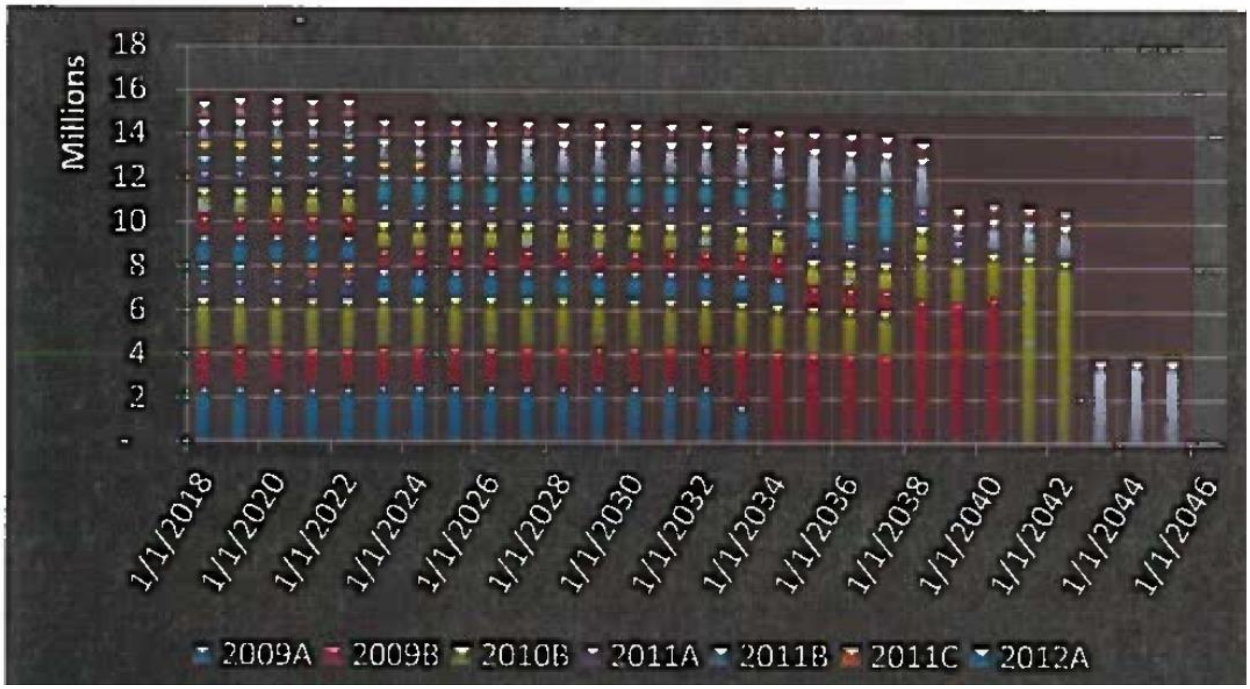
The additional information below is from project plans submitted to the Colorado Commission on Higher Education (CCHE) and the CDC and additional information provided to staff by CMU.

The request is for bonding authority to construct a new residence hall on the CMU campus. **The proposal would provide a new hall, with single rooms arranged in 4-room suites.** CMU anticipates that this hall would be occupied primarily by sophomores and that students would be required to participate in a limited 7 meals per week meal plan.

CMU currently requires that freshmen and sophomores reside on campus, with certain exceptions, but it has not rigorously enforced this requirement due to a shortage of available rooms. The occupancy rate for Fall 2018 was 94 percent for the 2,513 beds currently on campus. A February 2019 market survey indicates sufficient demand to add 543 to 830 beds on campus. The project plan also asserts that it is intended to respond to enrollment growth, though the most recent CMU projection reflects modest projected enrollment declines.

Based on updated information provided by CMU, CMU now proposes a 130 (instead of 170) bed project and proposes to fund this project through 30-year (instead of 20-year) bonds at an interest rate of 3.0 percent (intercept) rate. CMU provided a pro-forma demonstrating profitability with bonding of either $15 or $17 million and occupancy as low as 85 percent. The proforma shows that even at 85 percent occupancy, by FY 2024-25 the project is expected to yield a net positive cash flow of $324,515 with $17 million in debt or $478,073 with $15 million in debt. Debt service payments for $17 million for 30 years are assumed at $918,848 with other operating expenses approaching $500,000 per year versus total revenue of over $1.7 million. Student rates are projected at about $13,400 per student per year.

ADDITIONAL BACKGROUND ON CMU DEBT AND FINANCIAL PROFILE: The chart below, from the Treasurer's September 1, 2018 report on the program shows CMU's debt service obligations.



As shown, CMU's annual debt service payments are currently at $15.5 million, though this is offset by federal subsidies so that net payments are at $14.4 million. CSU's proposal to increase its debt by up to $18.0 million could increase its annual debt service by up to $1.1 million at a 4.0 percent interest rate. The additional issuance could increase total annual obligations to approximately $16.6 million, though final figures may be lower.

For context:

- CMU's 2019 annual *debt service of $15.5 million represents about **11.0** percent of the governing board's 2018 revenue* of $134.4 million.
- The request represents an increase of **8.2** percent in CMU's 2018 liabilities of $218.6 million. (2018 financial statements).
- CMU served 15,252 student FTE in 2017-18. The system's total liabilities of $218.6 million divided by total student FTE enrolled--its *debt per student FTE--was $14,330 in FY 2017-18.*

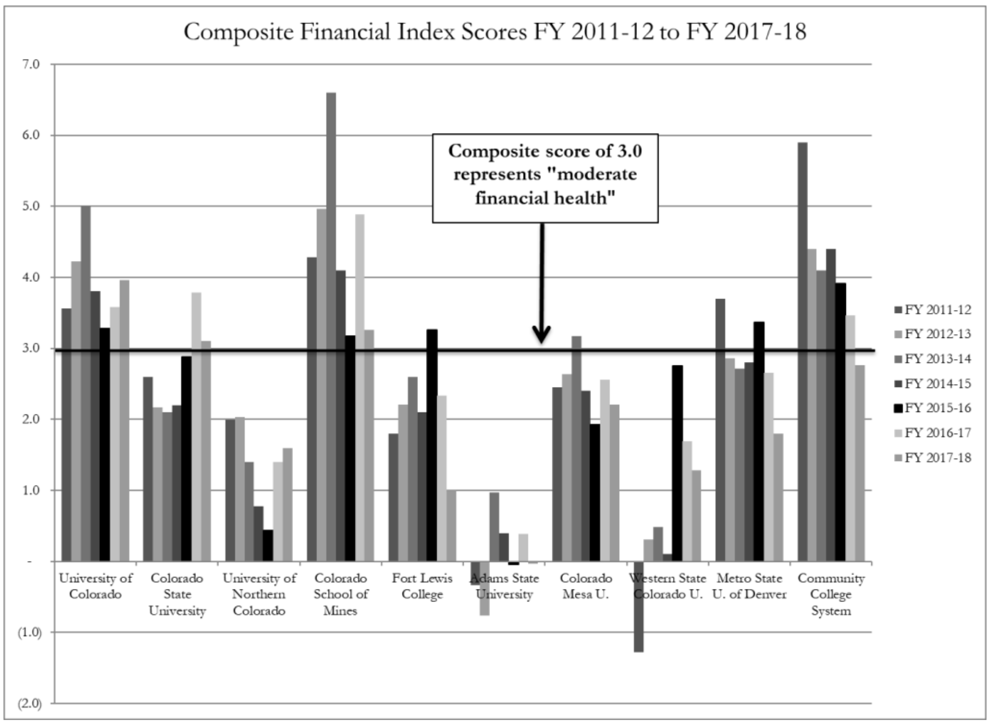
In November 2018, Moody's maintained CMU's underlying **credit rating of A2**. This is significantly lower than the State rating of Aa2 that CMU may use under the intercept program but higher than the underlying ratings for Adams, Western, or the University of Northern Colorado (e.g., . (Moody's scale from highest to lowest: Aa1, Aa2, Aa3, A1, A2, A3, Baa1, etc.). The credit rating noted CMU's "very good strategic positioning," "very strong operating cash flow margins", and "sound unrestricted liquidity". It notes that "offsetting challenges include a heavy reliance on tuition and fees to fund operations (over 80%) and limited, albeit improving, operating support from the state."

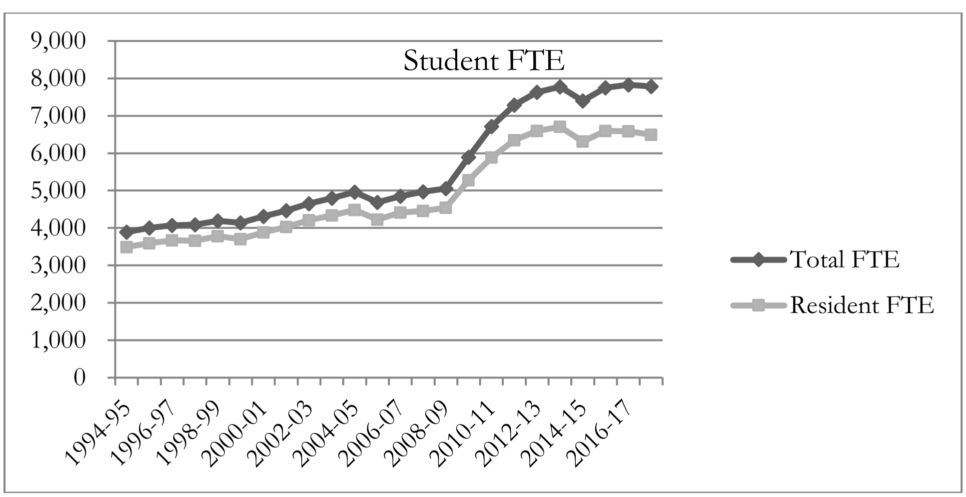
STAFF RECOMMENDATION: Staff recommends the request.

- As highlighted by Moody's, CMU has been performing well as a business operation, with strong operating margins.

- **Staff's primary concern is that CMU is highly leveraged**. CMU's ability to issue the requested new bonds is likely to only barely fit within the intercept requirement that the institution be able to demonstrate a 1.5 x ratio in revenue available for bond payments to payment obligations. However, as described above, an auxiliary project like this comes with its own revenue stream and should yield a positive cash flow.

- The governing board's composite financial index (CFI)--a measure of financial health--is below the 3.0 "moderate financial health" measure but has remained reasonably strong since staff began tracking this measure. Although the institution is not growing at the rate it was during the recession, enrollment is fairly stable.





- **The proposed project is consistent with plans approved by the Colorado Commission on Higher Education (CCHE) and the CDC**.

- **The institution has a demonstrated demand for additional on campus housing. In general, housing students on campus corresponds to stronger student academic performance.**

- **This type of project should--at a minimum--be able to cover its own costs and is likely to yield some net positive return for the institution.**

Staff has attached a draft letter to the Treasurer's Office and the Colorado Commission on Higher Education for the Committee's consideration.

STATE OF COLORADO

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DRAFT

April 18, 2019

Mr. David Young
Colorado State Treasurer

Ms. Lauren Larson
Director
Office of State Planning and Budgeting

Dr. Angie Paccione
Executive Director
Colorado Department of Higher Education

Mr. Tim Foster, Esq.
President
Colorado Mesa University

Dear Treasurer Young, Director Larson, Director Paccione, and President Foster:

Pursuant to the provisions of Sections 23-5-139 (1.5)(c), C.R.S., on April 17, 2019, the Joint Budget Committee reviewed a request from Colorado Mesa University to expand its borrowing under the Higher Education Revenue Bond Intercept Program for the project and amount below.

Table 1
Approved Intercept Project

Project Name	Amount of Issuance
Student Housing Wingate West	$18,000,000
Total:	**$18,000,000**

The Joint Budget Committee voted to approve this request. As required by statute, the additional debt is within the amount specified in the State Treasurer's Office preapproval certificate (Treasurer's 3rd Annual Report on State Institutions of Higher Education, dated September 1, 2018), and the Capital Development Committee approved the request February 28, 2019.

Colorado Mesa University may therefore proceed with issuing this additional debt under the Higher Education Revenue Bond Intercept Program, so long as the final bond issue complies with Section 23-5-139 (1)(b)(I),(II), and (III), C.R.S., and any other relevant provisions of law.

Please contact Amanda Bickel on our staff ((303) 866-4960) should you have any questions about this matter.

Sincerely,

Dominick Moreno
Chair

cc: Representative Dylan Roberts, Capital Development Committee
Kori Donaldson, Capital Development Committee Staff
Eric Rothaus, Deputy Treasurer
Luis Colon, Chair, Colorado Commission on Higher Education
Jason Schrock, Department of Higher Education
Laura Glatt, Colorado Mesa University
Rebecca Massey, Office of State Planning and Budgeting
Bob Jaros, State Controller
John Ziegler, Staff Director, Joint Budget Committee

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Joint Budget Committee
FROM	Amanda Bickel, JBC Staff
DATE	April 17, 2019
SUBJECT	CSU Revenue Bond Intercept Requests

REQUEST AND RECOMMENDATION: On February 21, 2019, the Capital Development Committee (CDC) considered and approved a request from Colorado State University to expand its debt under the Higher Education Revenue Bond Intercept Program (Section 23-5-139, C.R.S.) by $22.7 million to finance three projects.[1] Statutory provisions require approval from both the CDC and JBC. **JBC staff recommends that the JBC approve the request.**

BACKGROUND ON THE INTERCEPT PROGRAM: The Higher Education Revenue Bond Intercept Program, first authorized in 2008 and last modified in 2016, enables the governing boards of higher education institutions to issue debt under the state's credit rating rather than their own. This reduces the cost of debt for governing boards but also makes the State responsible for making timely payments on the debt if the governing board is not able to do so. If this occurs, the State is authorized to recoup its expenditures from the affected governing board.

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[1] This follows a September 2018 approval to expand CSU's intercept authority by $44.3 million to finance five projects.

State Colorado University holds debt under the program but may not expand this debt due to a low credit rating (Baa).

COLORADO STATE UNIVERSITY REQUEST: The CDC supports CSU's expanded use of the intercept program for the following three projects.

Project Name	Amount of Issuance
Purchase of 2243 Centre Avenue	$9,300,000
South Campus Animal Research Facility	$6,250,295
South Campus Infrastructure	$7,150,000
Total:	**$22,700,295**

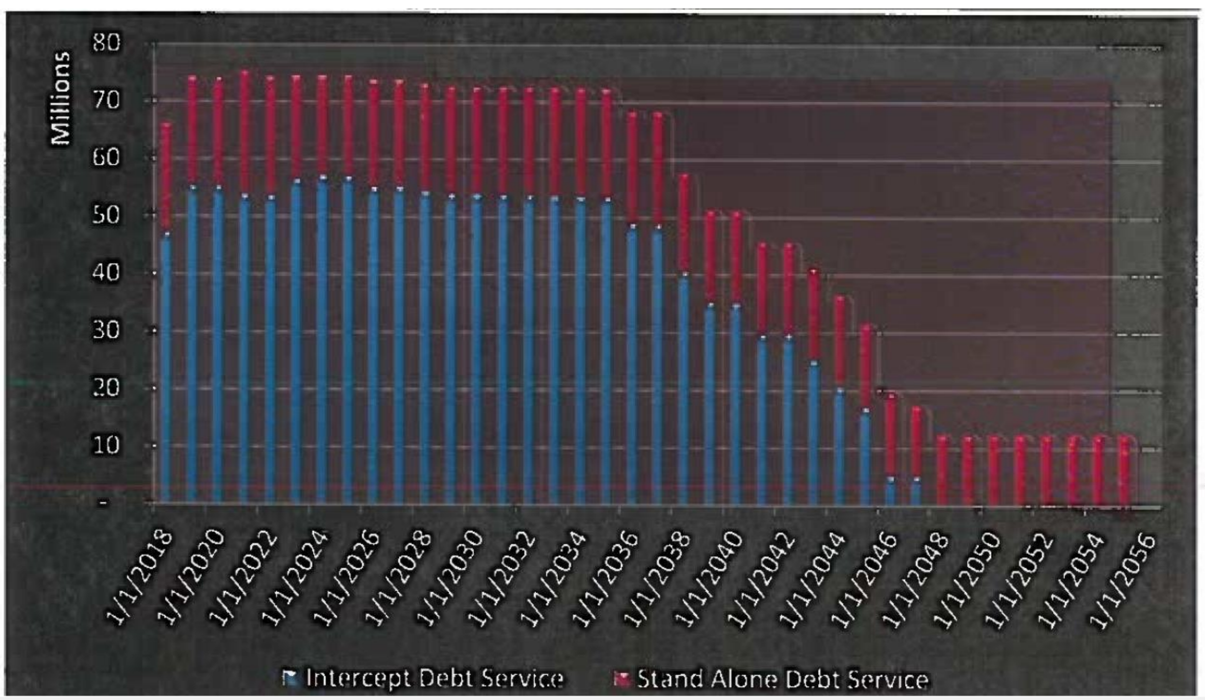
The additional information below is from project plans submitted to the Colorado Commission on Higher Education (CCHE) and the CDC.

- ***Purchase of 2243 Centre Avenue ($9.3 million):*** The request is for authority to purchase and finish 2243 Centre Ave. using cash sources generated under the revenue bond intercept program. The 3-story 33,000 GSF office building is owned by the CSU Research Foundation and is located ½ mile south of campus on multi-modal campus transportation routes. The purchase addresses CSU's need for additional office space. The building was constructed for the Semester at Sea program, which is located on the top floor, and is currently owned by the CSU Research Foundation. The bottom two floors were not finished or occupied until CSU recently determined it had a business need for the space. CSU's Chief Financial Officer reports that CSU has a number of programs on campus requiring administrative space, including a unit responsible for ensuring compliance with federal grant rules and a unit responsible for administering IT network services. It also needs "swing" space in which to relocate staff while other space is being renovated. By moving most of University Advancement (fundraising) to this new site off campus, the University frees up space for units with more pressing on-campus needs. The University considered leasing the 2243 Centre Avenue space from the CSU Research Foundation but determined that purchase was a more cost effective option. Semester at Sea will continue to occupy the third floor and will now lease the space from CSU.

- ***South Campus Animal Research Facility ($6.3 million):*** The project will construct an approximately 12,150 GSF facility on the CSU South Campus to house laboratory animals. Current animal housing has room for cats, dogs, and rodents but has insufficient holding and procedure space. The project will support the Translational Medicine Institute, Animal Cancer Center, Pre-surgical Research Laboratory, and the Veterinary Teaching Hospital. A centralized animal holding facility has been envisioned since early program planning for the Translational Medicine Institute. The new facility will include holding, procedure, and related space (e.g., dog runs, storage) for dogs, cats, rodents, rabbits, and sheep. The request notes that there are no existing buildings on the campus that could be renovated to serve this need.

- ***South Campus Infrastructure ($7.2 million):*** This project provides infrastructure necessary for development of the CSU South Campus including drainage, utility, and site upgrades. These improvements will support expansion of veterinary medicine program elements spanning over 250,000 GSF of building development. The original South Campus Master Plan identified $12.3 million in improvements addressing roadways, drainage, sewer, electrical, gas, telecommunications, central chilled water for building cooling, roadways, waste management, and both demolition and construction of various supporting buildings including a maintenance shop, hay barn, and material storage buildings. These costs have been reduced due to a reduction in the planned size of an equine veterinary hospital facility on the property and because a portion of the infrastructure needs were addressed during the construction of the veterinary Translational Medicine Institute.

ADDITIONAL BACKGROUND ON CSU DEBT AND FINANCIAL PROFILE: The chart below, from the Treasurer's September 1, 2018 report on the program shows CSU's debt service obligations. These figures included additional intercept debt approved in September 2018 but not the current request. In 2019, CSU anticipates aggregate gross debt service payments of $74.3 million or $72.7 million when offset with federal subsidies.



CSU's proposal to increase its debt by an $22.7 million could increase its annual debt service by up to $1.5 million (based on 30 year bonds at 5.0 percent interest). Combined with escalators in previously issued debt, this increase would lead to total annual debt service payments of approximately $75.8 million per year for the governing board.

According to CSU's Treasurer, the source of revenue for debt payments for these projects is the unrestricted Education and General budget, *i.e,* funding for the projects will come from annual state General Fund operating appropriations and student tuition. There will not be dedicated fees associated with these projects.

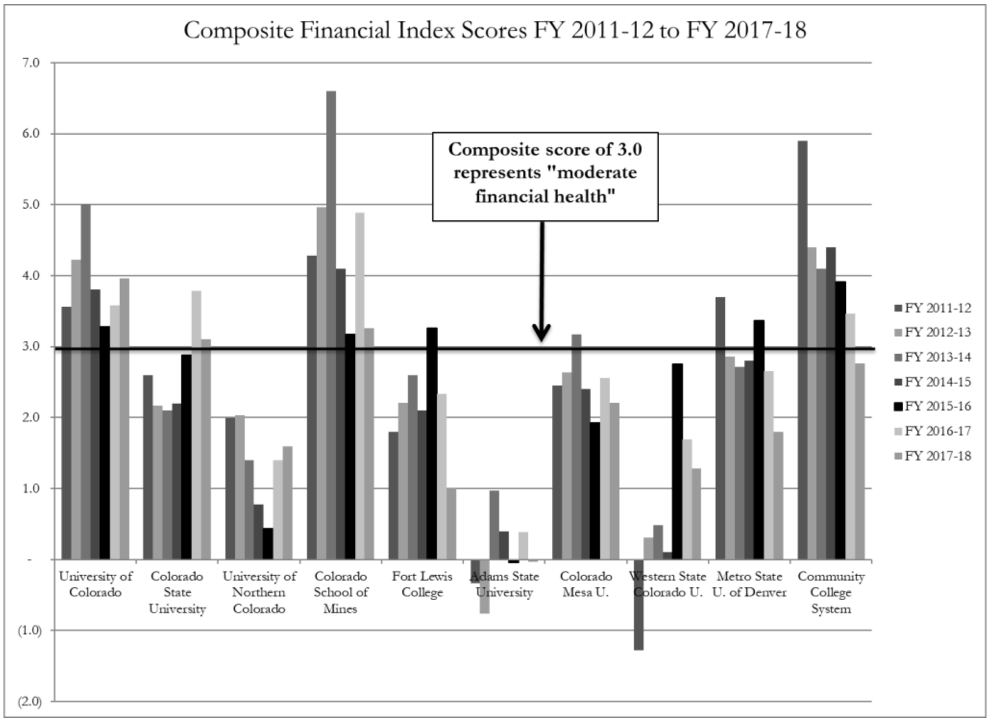
For context:

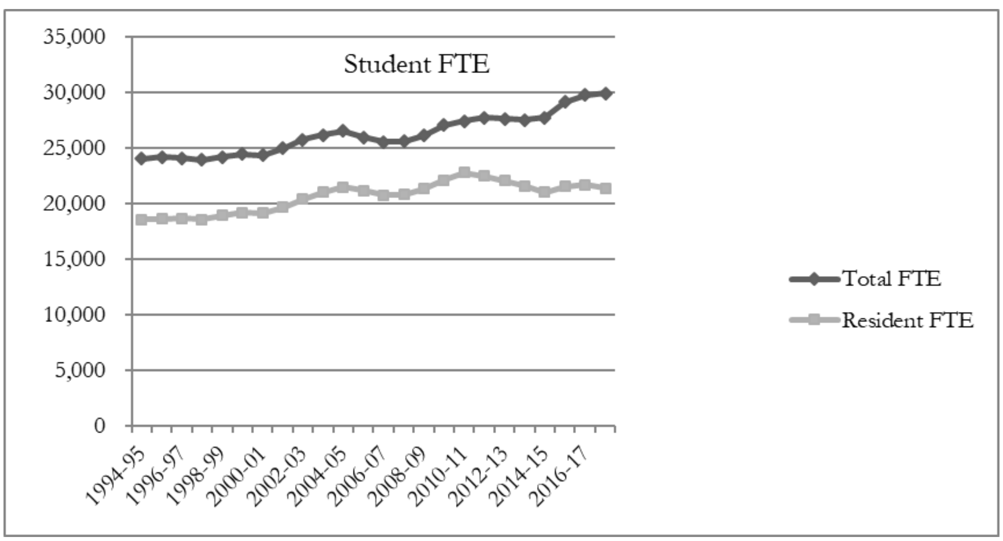
- CSU's projected annual *debt service of $74.3 million represents about 5.4 percent of the governing board's 2018 revenue* of $1.4 billion. The General Assembly approved a $45.0 million increase in intercept debt in October 2018. The additional $22.7 million in debt included in this request represents a further increase of 1.8 percent on the governing board's $1.3 billion in liabilities (2018 financial statements).
- The CSU system served 38,357 student FTE (including CSU Global) in 2017-18. The system's total liabilities of $1.3 billion divided by total student FTE enrolled--its *debt per student FTE--was $35,869 in FY 2017-18*.

In September 2018, Moody's assigned CSU an underlying **credit rating of Aa3, consistent with previous action**. This is lower than the State rating of Aa2 that CSU may use under the intercept program but is still relatively strong. (Moody's scale from highest to lowest: Aa1, Aa2, Aa3, A1, A2, A3, Baa1, etc.) The credit report highlighted institutional strengths including "very strong" enterprise profile reflecting enrollment growth, demand metrics, and research presence and "strong" financial profile reflecting improving financial operations on a full-accrual basis. The report notes that partially offsetting strengths are the systems significant increase in debt in recent years, above-average but manageable debt service, and low financial resources relative to the debt.

STAFF RECOMMENDATION: **Staff recommends the request.**

- As highlighted by Moody's, CSU is quite leveraged, but **the ratings agencies appear convinced that the overall dynamic growth of the governing board mitigates the related risk**. In addition, staff notes that the governing board's composite financial index (CFI)--a measure of financial health--has strengthened in recent years, and it has been growing total non-resident enrollment at a rapid clip, which should further improve its financial position.





- **The projects proposed in the request are built around program and design plans approved by the Colorado Commission on Higher Education (CCHE) and the CDC**.

- **Two of the three projects are directly related to CSU's veterinary research and teaching mission. The third project addresses administrative space needs.** *While no specific fee or tuition increases are associated with the request, these additional obligations will be built into ongoing operating costs that are financed primarily through the General Fund or tuition revenue.* **Clearly, CSU believes that the additional $1.5 million in annual debt service, though meaningful, is reasonable in the context of its $1.4 billion annual budget** and current and future business needs. Given the size and complexity of CSU's operations, staff agrees.

Staff has attached a draft letter to the Treasurer's Office and the Colorado Commission on Higher Education for the Committee's consideration.

STATE OF COLORADO

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DRAFT

April 18, 2019

Mr. David Young
Colorado State Treasurer

Ms. Lauren Larson
Director
Office of State Planning and Budgeting

Dr. Angie Paccione
Executive Director
Colorado Department of Higher Education

Dr. Tony Frank
Chancellor
Colorado State University System

Dear Treasurer Young, Director Larson, Director Paccione, and Chancellor Frank:

Pursuant to the provisions of Sections 23-5-139 (1.5)(c), C.R.S., on April 17, 2019, the Joint Budget Committee reviewed a request from the Colorado State University System to expand its borrowing under the Higher Education Revenue Bond Intercept Program for the projects and amounts below.

Project Name	Amount of Issuance
Purchase of 2243 Centre Avenue	$9,300,000
South Campus Animal Research Facility	$6,250,295
South Campus Infrastructure	$7,150,000
Total:	$22,700,295

The Joint Budget Committee voted to approve this request. As required by statute, the additional debt is within the amount specified in the State Treasurer's Office preapproval certificate (Treasurer's 3rd Annual Report on State Institutions of Higher Education, dated September 1, 2018), and the Capital Development Committee approved the request February 21, 2019.

The Colorado State University System may therefore proceed with issuing this additional debt under the Higher Education Revenue Bond Intercept Program, so long as the final bond issue complies with Section 23-5-139 (1)(b)(I),(II), and (III), C.R.S., and any other relevant provisions of law.

Please contact Amanda Bickel on our staff ((303) 866-4960) should you have any questions about this matter.

Sincerely,

Dominick Moreno
Chair

cc: Representative Dylan Roberts, Capital Development Committee
Kori Donaldson, Capital Development Committee Staff
Eric Rothaus, Deputy Treasurer
Luis Colon, Chair, Colorado Commission on Higher Education
Jason Schrock, Department of Higher Education
Henry Sobanet, Colorado State University System
Lynn Johnson, Colorado State University
Rebecca Massey, Office of State Planning and Budgeting
Bob Jaros, State Controller
John Ziegler, Staff Director, Joint Budget Committee